THEEWATERSKLOOF MUNICIPALITY: BUDGET SPEECH 2020/2021 – 2022 – 2023: EXECUTIVE MAYOR - ALDERLADY CHRISTELLE VOSLOO: 27 MAY 2020

INITIAL COMMENTS

Speaker, I am tabling the final budget for 2020/2021 and the two outer years for the consideration and approval of the Municipal Council of Theewaterskloof Municipality.

Speaker, my comments today must be read with my draft budget speech which I delivered in March this year.

Given the extraordinary virtual circumstances of this meeting I will not deliver my entire speech and I will rather highlight important pieces.

You have received the full budget speech and I trust you had an opportunity to read it and to assimilate the information.

In this presentation I will focus on six matters:

- Planning, drafting, and finalising the budget in terms of the MFMA and other legal prescripts.
- Planning, development and clarifying of the budget with the larger community and the subsequent budget consultations; as well as the private-public budget compact between the municipality and the people it serves.
- Covid-19-Pandemic impact on this budget and especially regarding the anticipated income.
- Key external influences on this budget and the state and sustainability of the municipality's primary income sources.
- The likely outcome of the budget and its impact on the public.
- Inputs and complaints received on the Draft budget.

BUDGET COMPLIANCES

Speaker, this budget, and all the aspects of getting to this point, complied with the requirements of the Municipal Financial Management Act (MFMA) and related Acts and prescripts.

All phases of this budget involved community consultations and public participation processes. This was especially the case with the development and adoption of the draft budget.

Thereafter, we entered the Covid-19 lockdown and community inputs was obtained through social media platforms.

This budget, in as far as affordability goes, speaks to the key principles, and needs as set out in the Integrated Development Plan (IDP).

In the lockdown period we extended the time for comments as to provide all stakeholders and role players an opportunity to study the budget, to interpret it and to comment on it. One comment was received from SABM.

This budget limits increases in tax and services tariffs.

This budget is designed to ensure that every cent will be spent wisely.

We will utilise the income to the best interest of all people in Theewaterskloof.

This budget is extremely sensitive towards the needs of the paying public and the indigent component of the broader community.

COMMUNITY AND STAKEHOLDER COMPLIANCES

The drafting of this budget resulted from close consultation between the municipal administration and council.

These two internal entities worked in unison to get to the final product.

This budget is also the outcome of comprehensive public participation and consultation processes.

These processes were without a fail constructive, although all parties involved expressed concerns about the tax and tariff levels.

Before the Covid-19-Pandemic, there were specific concerns about the deteriorating ratio of those who pay taxes and tariffs and the indigent community.

Almost in all meetings I got the impression that people were worried but that they understood the municipal challenges which dictated the content of the IDP and the budget.

I believe the people understands that Theewaterskloof have little to no control over the external matters that affects our budget.

The consultations primarily focussed on the following:

- Processes followed to draft the IDP and budget.
- External and internal factors that affected the IDP and budget.
- An overview of the final IDP and budget.
- The impact of the budget on towns, communities, and sectors.
- The impact of the IDP and budget on all households – those who can pay their municipal bills and those who are indigent.

Speaker, the purpose of public participation is, amongst others, to broaden the democracy and to involve all entities in key processes such as the drafting of the IDP and budget.

Hence, we escalated the involvement of stakeholders of the various sectors. When these interactions took place there was no Covid-19 and everyone was optimistic after the National Finance Minister, Mr Tito Mboweni, tabled his budget.

Then Covid-19 entered our lives and optimism made room for an environment filled with despondency and uncertainties.

In the coming months, the municipal administrative and political leaders will have to manage the spirit of pessimism. We certainly can understand the worries of others, but we cannot become fatalistic ourselves. There will be positive spin offs from the Covid-19 pandemic and we as a municipality must identify these spin offs and capitalise on it.

Speaker, I have little doubt that we are departing on a bumpy road, but that better times and prosperity awaits us on the other side of Covid-19. We, the municipality and all our people are in this together and more than ever we must overcome the threats by working together.

For this to happen, Speaker, we will have to enhance public participation and consultation processes. We will have to listen to the people and hear their voices loud and clear. The future of Theewaterskloof will be determined by every person and entity.

INPUTS AND COMPLAINTS ON DRAFT BUDGET

One complaint was received from SABM and the nature of this is service-related tariffs. The complaint has been extensively considered by the Municipal Budget steering Committee and my response on this submission is included in the budget documents.

THE IMPACT OF THE COVID-19 PANDEMIC

When I tabled the draft budget, I said that “this remains a pre-Covid-19 pandemic budget and the final budget might be something different. The pandemic will influence the budget and managing it will probably be particularly challenging.” This has happened and although we now know more about Covid-19, there is still a lot that we do not know.

Speaker, this budget reflects the unpredictable nature of the pandemic and I fear that certain variables regarding our projections might take a different direction than we currently anticipate.

There is no doubt that we will have to chase our income, and that we will have to work extremely sensible with scarce resources.

Speaker, we must understand that unemployment, resulting from the pandemic, is not only affecting indigent families but even the paying public.

Therefor Speaker, we reduced our overheads substantially. However, to keep this organisation intact we will have to establish social compacts with the paying public.

Our people must understand that they cannot regard municipal bills as a low priority and that it should be there foremost financial responsibility.

There will be people who will struggle to pay their bills and they will have to talk to us so that we can jointly develop solutions.

Financial losses because of uncommunicated default payments can result in a municipal service delivery implosion. The public must understand that this municipality has limited capacities and that it will have to succeed with extremely low overheads and almost a skeleton staff. We cannot afford less income than we budgeted for.

INFLUENCES ON THE BUDGET

Speaker, I am seriously concerned about the state’s ability to fund municipalities. I am not referring to handouts but to the funding of the indigent bill, vital service delivery infrastructure and housing.

There is widespread consensus in the financial fraternity that our economy will shrink with 6.2%. Many predicts a shrinking of 7%.

The Corona virus added to the economic challenges, but it is not the primary cause of the bad state of the South African economy.

The financial and economic difficulties we find ourselves in is the result of mind-boggling corruption during the time of the Zuma administrations.

The effect of the plundering of state funds and the senseless funding of failing SOE's got South Africa into this situation. Covid-19 just added to this.

I fear Speaker that the state and the economy, or at least what is left of it, will not succeed to fund all state functions and programmes.

As many other South Africans, I trust that National Government will do the sensible thing by obtaining low interest rate loans and support from the International Monetary Fund, the World Bank, and the BRICS bank.

I am bothered Speaker by the state's perception that municipalities must be entirely self-provident in terms of their income. This is an unrealistic and unworkable theory.

There are no such thing as own funds in a municipality. Speaker, the funds we have, comes from the taxpayers and they are overburdened and threatened by financial implosions.

Our taxpayers are struggling because their money must support municipal services for themselves and the indigent population.

Let's be frank about this Speaker, the taxpayer is contributing too much, and they are getting too little in return.

My problem is Speaker, that every income source of local government is under severe pressure.

Before I am accused of absolute pessimism, I will inform you that I noted the lowering of interest rates and the relatively cheaper fuel. There is also the lower than expected inflation rate.

A COMPARISSON BETWEEN THE DRAFT AND FINAL BUDGETS

- Funds for the restoration of the Council Chamber was cut with R500 000
- Funds for the inventory budget items were cut with R2.35million.
- Funds for salaries were reduced as key positions will not be filled in the first 5 months of the financial year.
- R2Million rand was allocated for the expected increase in indigent applications.
- Electricity revenue and expenditure was adjusted downwards after receiving NERSA's guideline tariff increase for municipalities.

LEGAL COMPLIANCE

The MTREF for 2020/21 to 2022/2023 were compiled in accordance with the requirements of the relevant legislation, of which the following are the most important:

- The Constitution of the Republic of South Africa, Act 108 of 1996.

- The Municipal Structures Act, Act 117 of 1998.
- The Municipal Systems Act, Act 32 of 2000.
- The Municipal Finance Management Act, Act 56 of 2003.
- The Municipal Budget and Reporting Regulations promulgated on 17 April 2009.
- The Division of Revenue Act.

The following budget principles and guidelines directly informed the compilation of the 2020/21 to 2022/2023 MTREF:

- National Treasury's MFMA Circulars were used to guide the compilation of the MTREF.
- Headline inflation predictions.
- National outcomes and priorities.
- NERSA guidelines.
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- Tariff and property rates revenue stream increases should be affordable and should generally not exceed inflation as measured by the CPI.
- In addition, tariffs need to remain or move towards being cost reflective and should consider the need to address infrastructure backlogs.
- External loans will be taken up during this budget year as a means of supporting the Capital Budget, to enhance service delivery.

BUDGET FIGURES

The following table provides a consolidated overview of the proposed 2020/2021 MTREF taking into consideration tariff adjustments and increases to input costs:

- Total Operating Revenue: R657 407million.
- Total Operating Expenditure: R613 736million.
- Surplus for the year: R43 670.
- Total Capital Expenditure: R138 660million.

Total operating revenue is projected to decline by 0.76 per cent or R5 million for the 2020/21 financial year when compared to the 2019/20 Budget. For the two outer years, operational revenue will increase by 3.7% and 5.1% respectively, equating to a total revenue growth of R53million over the MTREF when compared to the 2019/20 financial year.

The increases in taxes and tariffs are as follows:

- Assessment rates: 6.8%
- Electricity: 6.22% (Subject to NERSA's final approval)
- Water: 8%
- Sanitation: 7.5%
- Refuse removal: 7%

DEBT COLLECTION APPROACH

Given the Covid-19 pandemic realities and the fact that unemployment increased, debt collection will be an important function of this municipality. This will be done sensitively.

We will have sympathy with those who inform us of their payment problems, but we will not tolerate default payments. This municipality cannot provide services without being paid for it.

IMPACT OF THE BUDGET

Speaker, I understand that this budget does not nearly address the real need amongst our people. I also understand that the Covid-19 pandemic transformed this budget into one big variable. However, as things are currently, the municipality developed the best budget it could with its projected income.

I do believe that this budget for 2020/2021 and the two outer years, will succeed to:

- Support the poor.
- Address the hardship caused by the Covid-19 pandemic.
- Decelerate socio economic deterioration.
- Support economic growth and development.
- Enhance social cohesion in communities.
- Secure functional service delivery.

As matters stand now, I believe this budget will allow us to maintain good governance and sustainable service delivery.

AN IMPORTANT PROVISO

Speaker, our key vision remains growth and development. The Covid-19 pandemic however changed the route we adopted to reach prosperity.

We cannot ignore the impact of the pandemic and that it could become worse.

To support our staff and the public and to balance our books and to succeed with service delivery and our primary mandates, we will have to adopt to the "new normal".

Speaker, I do not exactly know what this “new normal” is but it is better for us to approach it heads on.

The need for change and re-focussing management is now more acute as it was in 2016.

Speaker, I am convinced that we must, without delay, implement a special unit to deal with change and re-focusing management.

This we must do in close consultation with all our partners and stakeholders.

Speaker I am talking about internal and external stakeholders.

We must manage our integration into this new normal so that we can re-enter the growth and development path as soon as possible.

This unit will have to develop and implement a municipal survival strategy and plan, and this must be done in close partnerships with internal directorates but also external stakeholders.

A lot of this has been done before the pandemic surfaced but we will have to accelerate these interventions. We will have to do this within the parameters of the economic and social compacts that must be established between the municipality, the broader community, NGO’s, the business sector and other organisations and entities.

This unit must be situated in the offices of the Municipal Manager and the Executive Mayor.

BUDGET REFERENCES AND COUNCIL RESOLUTION

- Annual Operating Budget of the municipality for the financial year 2020/2021 and indicative for the two projected Outer Years 2021/2022 and 2022/2023 be approved as set out on Tables A1, A2, A3 and A4 (pages 7 - 13).

- Annual Capital Budget of the municipality for the financial year 2020/2021 and indicative for the two projected Outer Years 2021/2022 and 2022/2023 be approved as set out on Tables A1, A5 and SA36 (pages 7, 14, and 94).

- Monthly Cash Flow Forecasts with appropriate amendments be approved as the Cash Flow Budget of the Council for the 2020/2021 financial year as set out on Tables A1 and A7. (Pages 7 and 17).

- “Spatial Development Framework” as part of the Integrated Development Plan, as regulated by the Municipal Systems Act (Act 32 of 2000), a directed in terms of Section 22 of the Bill on the Land Use Planning Act.

- Tariff Charges are approved for the Financial Year 2020/2021. (Annexure A).

THE NEXT STEP

Speaker, the IDP and budget for 2021 and the two outer years is ready for implementation. I am now tabling the final budget and IDP for 2020 and 2021 to council for consideration and approval.

ACKNOWLEDGEMENTS

Speaker allow me a few acknowledgements.

I thank Council and the officials for their hard and conscientious work and for their determination to complete the IDP and budget for 2020/2021 and the two outer years.

Speaker, this IDP and budget is the result of exceptional teamwork between council, the administration, communities, and stakeholders of all sectors in Theewaterskloof.

I have huge respect for the inputs of these entities, and I want to thank them for their hard work and commitment.

I want to thank the public who participated in finalising this IDP and budget. Thank you for the constructive way that you engaged in our processes and for making our work easier.

I thank our Heavenly Farther for his support, guidance, and wisdom. Without His presence this budget and IDP would not have been possible. I pray that He will support and guide us in the implementation of the budget. Without Him in our lives, nothing is possible.

Now awaits the most intense part i.e. the implementation of the IDP and budget.

My wish is that all of you will receive the wisdom and strength to continue with this task in the best interest of our people and our organisation.

Baie dankie/Thank you/ Enkosi

Alderman Christelle Vosloo
Executive Mayor
2020/05/27
HG/CV